

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4219-01
Bill No.: HB 1275
Subject: Education, Elementary and Secondary: Elementary and Secondary Education
Dept; Science and Technology
Type: Original
Date: February 13, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(\$96,466)	(\$102,146 to Unknown)	(\$104,698 to Unknown)
Total Estimated Net Effect on General Revenue Fund*	(\$96,466)	(\$102,146 to Unknown)	(\$104,698 to Unknown)

***Subject to Appropriation**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
State School Moneys Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

***Offsetting Transfers In and Out for FY 08 and FY 09 are unknown, but expected to exceed \$100,000, subject to appropriation**

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this proposal for Administrative Rules is less than \$1,500. The SOS recognizes this is a small amount and does not expect additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed in a given year and that collectively the costs may be in excess of what the SOS can sustain with their core budget. Any additional required funding would be handled through the budget process.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume DESE would identify qualified providers of online or virtual instruction. While DESE would oversee the virtual school, DESE would not house such instruction or its equipment. Districts or individuals would enroll with the providers.

The provisions of the bill as written would not begin until July 1, 2007, giving DESE a year to write the regulations, enter into contracts and modify data collection and payment systems, if needed. DESE would require 1.0 FTE Director and 1.0 FTE Secretary I to perform these preliminary duties and implement the program once established.

ASSUMPTION (continued)

Based on a cost of \$5,200 per FTE enrollment, DESE assumes participation in the program can be calculated as follows:

<u>Fiscal Year</u>	<u>FTE enrollment</u>	<u>Cost per enrollment</u>	<u>Total</u>
2008	500	\$5,200	\$2,600,000
2009	750	\$5,200	\$3,900,000

Oversight assumes that, subject to appropriation, the virtual school will receive 85 percent of the state adequacy target attributable to each student enrolled in the virtual school which should offset costs attributed to the virtual school program.

Officials from the **Poplar Bluff School District** assume the proposed legislation could have a negative or positive fiscal impact on public schools. If the public schools have free access to the virtual school and are allowed to count the student for state aid purposes, the impact would be positive. If no state aid is allowed, students currently enrolled in public school that utilize the virtual school would cause a reduction in dollars coming to a school district.

Officials from the **Parkway School District** believe this proposal would negatively affect public schools, but an estimate is impossible at this time.

Officials from the **Francis-Howell School District** assume this proposed legislation would redirect state aid from the local school district to the virtual school. For FY2007-08, the Francis Howell School District would lose \$1,876.54 for every resident student who previously attended public schools in the District and then chose to enroll in the virtual school. Officials cannot estimate the number of students who may choose to enroll in a virtual school.

Oversight assumes certain school districts will have a potential unknown cost due to decreases in state aid, making more aid available to other districts; however, the total statewide school aid funding will not be affected.

FISCAL IMPACT - State Government

FY 2007
 (10 Mo.)

FY 2008

FY 2009

GENERAL REVENUE

Cost - Department of Elementary and
 Secondary Education - Virtual School
 Program

Personal Costs (2 FTE)	(\$56,646)	(\$70,905)	(\$72,677)
Fringe Benefits	(\$25,399)	(\$31,241)	(\$32,021)
Equipment and Expense	(\$13,421)	\$0	\$0
Program Cost		(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)
	\$0		

TOTAL PROGRAM COSTS

	(\$102,146 to Unknown)	\$104,698 to Unknown)
	<u>(\$96,466)</u>	<u>Unknown)</u>

**ESTIMATED NET EFFECT ON
 GENERAL REVENUE***

	<u>(\$102,146 to Unknown)</u>	<u>(\$104,698 to Unknown)</u>
	<u>(\$96,466)</u>	<u>Unknown)</u>

*** Subject to Appropriation**

STATE SCHOOL MONEYS FUND

Transfer In- Department of Elementary
 and Secondary Education - Virtual School
 Program*

\$0

Unknown - Expected to Exceed \$100,000)	Unknown - Expected to Exceed \$100,000
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Transfer Out - Disbursement to Virtual
 School Program (85% of the State
 Adequacy Target attributable to each pupil
 enrolled)*

\$0

(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)
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**ESTIMATED NET EFFECT ON
 STATE SCHOOL MONEYS FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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***Subject to appropriation**

FISCAL IMPACT - Local Government

FY 2007

FY 2008

FY 2009

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

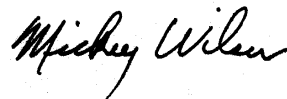
This proposed legislation requires the State Board of Education to establish a virtual school by July 1, 2007. Any student in kindergarten through grade 12 may enroll, regardless of where the student lives within the state. State school aid will treat the student a part of the enrollment of the district in which the student physically resides. The virtual school will report aid-related data to the district of residence. A full-time equivalent student is one who completes six credits per regular term, and each virtual course counts as one class.

The school district will retain 15% of state aid under Section 163.031, RSMo, related to the funding formula and Section 163.043, related to the Classroom Trust Fund, attributable to the student; and the virtual school will receive 85% of the state adequacy target attributable to the student. The virtual school must comply with all laws applicable to school districts including the state accreditation program, adequate yearly progress, annual performance report, teacher certification, and curriculum standards.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of Secretary of State
Administrative Rules Division
School Districts
Poplar Bluff
Francis-Howell
Parkway

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 13, 2006